

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Wildman Analyst: Gloria McConnell Bill Number: AB 1287

Related Bills: _____ Telephone: 845-4336 Amended Date: 07/07/98

Attorney: Doug Powers

Sponsor: _____

SUBJECT: Small Employer Health Care Credit

 X DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended 06/09/98.

 AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

 AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

 FURTHER AMENDMENTS NECESSARY.

 DEPARTMENT POSITION CHANGED TO _____.

 X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED 01/16/98, and 06/09/98, STILL APPLIES.

 OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (BCTL), for a period of five years beginning on or after January 1, 1999, eligible small employers, as defined, would be allowed a credit for providing health coverage, as defined, to their employees or dependents thereof. The credit would be an "applicable percentage" of the monthly costs paid or incurred during the year. The "applicable percentage" would be 10% for years beginning in 1999 and would increase 5% each year thereafter to a maximum percentage of 25% for years beginning 2002 and thereafter.

The allowed credit would be in lieu of any deduction otherwise allowable, but the employer could elect to annually choose either the applicable deduction or the credit.

The California Research Bureau would be required to annually report to the Legislature on or before March 1, 2001, and each year thereafter on the effectiveness of the credit in encouraging small businesses to offer health insurance to employees.

SUMMARY OF AMENDMENT

The July 7, 1998, amendments are technical in nature and were suggested by FTB in its analysis of the bill as amended June 9, 1998.

Board Position:

<u> </u> S	<u> </u> NA	<u> X </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> </u> PENDING

Department/Legislative Director Date

Johnnie Lou Rosas 7/21/98